

Enclosures in Mr. Clayton's file on
CONTRACT TERMINATION AND RECONVERSION.

4/8/44

April 1, 1944.

SUMMARY OF
CANADIAN INDUSTRIAL DEVELOPMENT BANK BILL
(First Reading in House of Commons, February 28, 1944)

The declared purpose of the Bill is to provide credit to industrial enterprises "which may reasonably be expected to prove successful if a high level of national income and employment is maintained." An "industrial enterprise" is defined as a business carrying on the manufacture, processing, or refrigeration of goods, wares and merchandise, or the building of ships or vessels, or the generating or distributing of electricity.

The Bill creates an Industrial Development Bank, of which the directors and President would be the directors and Governor of the Bank of Canada, respectively. The Bank would have a capital stock of \$25,000,000, entirely subscribed for by the Bank of Canada. It would have power to borrow money by issuing bonds and debentures up to three times the aggregate amount of its paid-up capital and reserves. Provision is made for the establishment of branches, the employment of officers and employees, the making of by-laws, and delegation of authority to officers.

The Bank would be authorized, in order to provide credit not otherwise available, to make loans, or to guarantee loans, to any person "engaged in or about to engage in an industrial enterprise" and to underwrite, or to purchase for resale, stock, bonds, or debentures of a corporate industrial enterprise.

The Bank could accept any kind of collateral security for loans, with the right to deal with collateral in any way that it might be dealt with by a private individual. In the event of default on any loan made or guaranteed by the Bank, the Bank is authorized to sell stocks, bonds, and debentures taken as security, after appropriate notice of sale; and it may likewise sell goods, wares, and merchandise at public auction after previous notice. The Bank's rights in respect of goods, wares, and merchandise are superior to those of an unpaid vendor unless the Bank has knowledge of the vendor's rights; but any such security is subject to a prior claim of employees of the borrower for three months' wages.

The Bank is prohibited from accepting deposits, except deposits from its debtors for the purpose of facilitating the repayment of loans.

The Bank must establish a reserve fund and all profits must be credited to such fund until the fund exceeds the Bank's paid-up capital, in which event remaining profits may be distributed by dividends not exceeding 4 per cent.

The Bill contains further provisions for audits of the Bank's affairs, reports of its assets, liabilities, loans, and investments, penalties for false statements, and authority for the Bank of Canada to acquire stock of the Development Bank and to buy or rediscount its bonds or debentures.

HHH:jc
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